

**REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA**

**A REVIEW OF THE DEPARTMENT OF GENERAL SERVICES'
STATEWIDE PROPERTY INVENTORY**



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August 29, 1990

P-660

Honorable Elihu M. Harris, Chairman
Members, Joint Legislative Audit Committee
State Capitol, Room 2148
Sacramento, California 95814

Dear Mr. Chairman and Members:

Summary

We reviewed the Department of General Services' (department) implementation of a statewide inventory of all real property held by the State as required by Chapter 907, Statutes of 1986 (Section 11011.15 of the California Government Code). This inventory is known as the statewide property inventory (SPI). As indicated in our March 1990 report entitled "The Department of General Services Needs To Improve Its Management of State Leases and Real Estate," the department did not implement the SPI by January 1, 1989, the required date for implementation. As of July 31, 1990, the department has not yet fully implemented the SPI as required. Specifically, although the department's Office of Real Estate and Design Services (OREDS) received all the inventory data from the 37 state landholding agencies, it has not yet sent detailed printouts of the agencies' properties to all the agencies for their review and verification. Although the SPI is still under review and verification and, therefore, may not be expected to be fully complete and accurate, we found some minor errors in the SPI report and some deficiencies in another report based on the SPI regarding surplus properties (SPI surplus property report) that the department should correct as it fully implements the SPI. Because the department has not fully implemented the SPI, the

State cannot ensure that it maximizes the use of its properties. Further, the delays result in a continued violation of Section 11011.15 of the California Government Code.

Background

Section 11011.15 of the California Government Code was enacted to improve the State's management of its real properties. This legislation requires the department to maintain a complete and accurate statewide inventory of all real property held by the State. The legislation further requires the department to implement the inventory by January 1, 1989. Finally, the legislation also requires the department to prepare by January 1, 1989, a separate report on all real properties declared surplus or with no identified current or projected use. This surplus property report is based on the SPI.

The department has designated the OREDS to provide a full range of leasing and real estate services to state agencies. The OREDS' real estate services section is responsible for providing real estate expertise to state agencies to ensure the selection of the best sites available. It is also responsible for appraising properties that the State is acquiring or properties that it intends to sell. Further, the section reviews and disposes of or transfers state properties no longer needed. In addition to these responsibilities, the real estate services section is responsible for maintaining the SPI. To implement the SPI, the department is required to inventory all state real properties using information furnished by the state agencies in possession of these properties.

The department is also responsible for submitting an annual report to the Legislature identifying land that should be designated and disposed of as surplus. This report is in addition to the SPI surplus property report. The Legislature reviews the annual report and authorizes the disposal of any lands that it determines to be surplus property. The remaining land identified in the annual report but not declared surplus by the Legislature remains in the custody of the agency that reported the property until the Legislature authorizes its disposal and the director requests the property from the agency for sale or disposal.

The governor's budget for fiscal year 1990-91 states that the OREDS used \$10.1 million in support funds during fiscal year 1989-90, and the budget proposes \$11 million for the support of the OREDS for fiscal year 1990-91.

**Scope and
Methodology**

The purpose of this audit was to determine whether the department has fully complied with the requirements for the implementation of the SPI. We also reviewed the status of the department's SPI as of June 1990 in terms of completeness and accuracy even though, as of July 1990, the SPI is still under review and verification and, therefore, may not be expected to be complete and accurate at this point. In addition, we reviewed the department's report of surplus properties, which, because it is generated from the SPI, is also still under review and verification. In conducting this audit, we interviewed department staff and staff of other state agencies.

To determine the status of the SPI in terms of completeness, we randomly selected a sample of 3 state agencies with a large number of properties and 5 state agencies with a small number of properties from a list of the 37 state landholding agencies that submitted their real property data to the department for inclusion in the SPI. We then randomly selected 10 percent of the properties from a list of the properties obtained from each of the 8 state agencies in our sample. We compared the properties in our sample to the SPI report, which is a summary listing of all real properties under the jurisdiction of state agencies, and determined whether any discrepancies existed. We also randomly selected a sample of 10 state agencies that did not report any properties to the department and contacted them to determine whether any real properties are under their jurisdiction. We found that none of these 10 state agencies have jurisdiction over any properties. Finally, we attempted to verify the SPI through an independent source of information by reviewing the county assessors' records on state-owned properties. We selected a sample of 10 properties from the county assessors' records to determine whether the properties are contained in the SPI.

To determine the status of the SPI in terms of accuracy, we randomly selected a sample of 45 state-owned properties located in Sacramento, Los Angeles, San Francisco, and Santa Clara counties. We then obtained and reviewed records maintained by the state agencies in possession of these properties. For the sample of state-owned properties located in Los Angeles County, we did not review 4 of the properties in our original sample because of difficulties in locating them. However, we selected another 4 properties to complete the sample. Next, we conducted a physical inspection of 42 of the 45 properties to determine whether the SPI contains accurate information on the properties. Although we did not physically inspect the remaining 3 properties, we did review information on them.

Finally, to determine the status of the department's SPI surplus property report in terms of completeness, we randomly selected a sample of 3 state agencies from a list of 12 state agencies that reported surplus properties to the department. We then compared the 3 agencies' lists of their surplus properties with information in the SPI surplus property report and determined whether any discrepancies existed. We also reviewed the OREDS' 1990 annual report to the Legislature on surplus properties to determine whether all the properties that the state agencies declared surplus and that the Legislature authorized for disposal were listed in the SPI surplus property report.

**Status of the
SPI and Its
Reports**

Section 11011.15 of the California Government Code requires the department to maintain a complete and accurate statewide inventory of all real property held by the State and to categorize that inventory by state agency and geographical location. Section 11011.15(a) of the California Government Code further requires the department to implement the SPI by January 1, 1989. Finally, by January 1, 1989, Section 11011.15(c) of the California Government Code requires a report of all properties declared surplus or with no identified current or projected use. This report is based on the SPI.

Status of the SPI

As indicated in our March 1990 report entitled "The Department of General Services Needs To Improve Its Management of State Leases and Real Estate," the department did not implement the SPI by the required date. During this review, we found that, as of July 31, 1990, the department has still not yet fully implemented the SPI as required. Specifically, the department's OREDS has not yet completed its review and verification of the information in the SPI for completeness and accuracy.

As part of its review and verification, the department plans to send copies of the SPI report to the 37 state landholding agencies for their review and verification. However, although the OREDS has received all the inventory data from the 37 state landholding agencies, the OREDS has not sent detailed printouts of the agencies' properties to all the agencies for their review and verification. The OREDS began sending the SPI reports to the state agencies in August 1990.

Because the department has not fully implemented the SPI, the State cannot ensure that it is fully utilizing its properties and that it is effectively transferring, leasing, and disposing of surplus properties and properties with no identified current or projected use. Further, the delays result in a continued violation of Section 11011.15 of the California Government Code.

To improve the utilization and management of state properties, the department plans to conduct field reviews and verification of the approximately 3,100 state-owned properties contained in the SPI. According to the OREDS' assistant chief of the proactive asset management unit, by June 1991, the OREDS' proactive asset management unit will complete field reviews and verification of a total of 700 properties listed in the SPI that are located in the San Francisco Bay Area and the Los Angeles, Sacramento, San Diego, and Orange County areas. The purpose of these field reviews is to determine unused or underutilized properties that require further evaluation. The OREDS will review information on the remaining properties for accuracy but will not initially conduct field reviews of them. Finally, the assistant chief stated that the OREDS will be able to meet this schedule only if the

department is able to promptly fill the 3.5 additional positions requested in its budget for the review and verification. As of July 31, 1990, the OREDS has completed field reviews and verification of approximately 110 properties that are located in the San Francisco Bay Area.

Minor Errors in the SPI Report

Although the SPI is still being reviewed and verified and, therefore, may not be expected to be fully complete and accurate, we found some minor errors that the department should correct as it fully implements the SPI.

To determine the status of the SPI in terms of completeness, we randomly sampled 210 properties from 8 of the 37 state agencies that reported properties to the department. We found that 2 (one percent) of the 210 properties were not reported in the SPI. One of the 2 properties is under the jurisdiction of the Department of Parks and Recreation (DPR), which reported a total of 264 properties to the department. According to the chief of the OREDS, the OREDS staff made a data entry error that caused the information on this property to be excluded from the SPI. The remaining property not reported in the SPI is under the jurisdiction of the California Department of Corrections (CDC), which reported a total of 17 properties to the department. According to the chief of the CDC's accounting management division, the CDC did not submit information on this property because the property has not yet been occupied by inmates. However, the CDC has had jurisdiction over this property since 1987.

We also found that one additional property in our sample reported as under the jurisdiction of the DPR was, in fact, a property managed by the DPR through an agreement with the State Lands Commission and the federal government. According to the chief of the OREDS, the DPR inappropriately submitted data to the OREDS listing this property as under its jurisdiction.

Finally, we attempted to obtain verification of the SPI from an independent source of information by reviewing the county assessors' records on state-owned properties. We selected a sample of ten properties from the county assessors' records to determine whether the properties are contained in the SPI. We found that seven properties were contained in the SPI and one property was properly excluded from the SPI. However, we could not determine whether the remaining two properties were contained in the SPI because neither the county assessors' records nor the state agencies' records provided sufficient information for us to identify all the properties.

To determine the status of the SPI in terms of accuracy, we physically inspected 42 properties and reviewed the remaining 3 properties from a total sample of 45 properties located in Sacramento, Los Angeles, San Francisco, and Santa Clara counties. We found that one property, an abandoned building, described in the report as under the jurisdiction of the Department of Motor Vehicles (DMV) was, in fact, under the jurisdiction of the University of Southern California. According to the OREDS' 1990 annual report to the Legislature, the Legislature authorized the sale of the DMV property in 1987, and in April 1989, the department sold the property to the university.

According to the chief of the OREDS, the real estate sales section within the OREDS could not complete the processing of this sale because all the sale documents had not been received. Further, the chief stated that the special projects section is currently processing this transaction through the SPI.

Deficiencies in the SPI Surplus Property Report

Because the department's SPI surplus property report is based on the SPI, it is also still being reviewed and verified and, therefore, may not be expected to be fully complete and accurate. However, we did assess the SPI surplus property report's status in terms of completeness and accuracy and found that it does not contain all

the real properties declared surplus by the state agencies or authorized for disposal by the Legislature. From our review of the OREDS' 1990 annual report to the Legislature identifying surplus property, we found that 5 properties declared surplus by the state agencies between 1986 and 1989 and 34 properties authorized for disposal by the Legislature between 1979 and 1989 were not listed in the SPI surplus property report. For example, an approximately 5-acre property under the jurisdiction of the Board of Equalization that the Legislature authorized for disposal in 1981 was not listed in the SPI surplus property report. In another instance, a 6.26-acre property under the jurisdiction of the Department of Forestry and Fire Protection was not included in the SPI surplus property report even though the Legislature authorized it for disposal in 1988.

For 35 of the 39 surplus properties not listed in the SPI surplus property report, the discrepancies occurred primarily because the state agencies either did not submit data collection forms to the OREDS or did not properly complete the data collection forms. For 3 of the remaining 4 surplus properties, the OREDS' staff made errors when entering the data into the SPI system. Finally, the SPI data entry staff did not enter the fourth property into the SPI surplus property report because the staff were not apprised of the status of a project related to the property. According to the chief of the OREDS, beginning in September 1990, the OREDS will compare and reconcile the SPI report with other reports that identify surplus properties, such as the OREDS' annual report to the Legislature.

The listing of properties in the SPI surplus property report could also be improved by better communication between two sections in the OREDS. Specifically, the real estate sales section within the OREDS has information that these properties are surplus but does not communicate this information to the special projects section, which is responsible for preparing the SPI. The real estate sales section prepares the annual report to the Legislature that identifies surplus properties using information from state agencies that report their properties as surplus. While the real estate sales section cannot provide all the information that the

special projects section needs or provide this information in the coded format required for entry into the SPI, it can at least alert the special projects section that a property is surplus. With this basic information, the special projects section can then obtain from the agencies the additional information it needs. According to the chief of the OREDS, the real estate sales section will notify the SPI data entry staff when it receives information from those state agencies that are declaring surplus properties.

In addition, our review of the lists of surplus properties from a random sample of 3 state agencies revealed that the Department of Developmental Services (DDS) has custody of one surplus property that was not listed in either the OREDS' 1990 annual report or the SPI surplus property report. For this property, the DDS did not submit the data collection form to the department.

Finally, we found that the Department of Parks and Recreation (DPR) has custody of 7 surplus properties that were also not listed in either the OREDS' 1990 annual report or the SPI surplus property report. For these 7 surplus properties, the DPR did not accurately complete the data collection forms that it submitted to the department.

Conclusion

As of July 31, 1990, the Department of General Services still has not fully implemented the statewide property inventory, even though the required date for implementation was January 1, 1989. Specifically, the Office of Real Estate and Design Services has not yet completed its review and verification of the SPI for completeness and accuracy. Although the SPI is still being reviewed and verified and, therefore, may not be expected to be complete and accurate, we found some deficiencies that the department should correct as it fully implements the SPI. Until the department has fully implemented the SPI, the State cannot ensure that it maximizes the use of its properties. Further, the delays result in a continued violation of Section 11011.15 of the California Government Code.

Recommendations

To ensure that it fully implements the statewide property inventory, the Department of General Services should take the following actions:

- Reconcile the SPI report and the SPI surplus property report with the records maintained by the state agencies to verify that the reports are complete and accurate;
- Ensure that the state agencies submit their completed data collection forms;
- Establish a procedure for the OREDS' real estate sales section to notify the special projects section when state agencies submit information to the real estate sales section declaring the agencies' properties surplus;
- Reconcile the report on surplus properties with other reports that identify surplus properties, such as the OREDS' annual report to the Legislature; and
- Correct the specific deficiencies identified in this letter report.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter report.

Respectfully submitted,



KURT R. SJOBERG
Acting Auditor General

The response of the State and Consumer Services Agency to this letter report

Memorandum

To: Kurt R. Sjoberg
Acting Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Date: August 23, 1990

From: Office of the Secretary
(916) 323-9493
ATSS473-9493

Subject: **RESPONSE TO AUDITOR GENERAL REPORT NO. P-660**

Thank you for the opportunity to respond to your Report P-660 concerning the Department of General Services' implementation of the statewide property inventory as required by Chapter 907, Statutes of 1986. The attached response from the Department of General Services addresses the recommendations.

If you need further information or assistance on this issue, you may wish to have your staff contact W. J. Anthony, Director, Department of General Services, at 445-3441.

Sincerely,



SHIRLEY R. CHILTON
Secretary to the Agency

SRC:ejp

cc: W. J. Anthony, Director
Department of General Services

MEMORANDUM

Date: August 23, 1990

File No: P-660

To: Shirley R. Chilton, Secretary
State and Consumer Services Agency
915 Capitol Mall, Room 200
Sacramento, CA 95814

From: Department of General Services

Subject: **RESPONSE TO AUDITOR GENERAL REPORT NO. P-660 -- REVIEW OF
THE STATEWIDE PROPERTY INVENTORY (SPI)**

Thank you for the opportunity to respond to Office of the Auditor General (OAG) letter report No. P-660 which addresses recommendations to the Department of General Services (DGS). The following response addresses each of the recommendations as well as the report's overall conclusion.

OVERVIEW OF REPORT

The DGS has reviewed the findings, conclusions and recommendations on its implementation of the Statewide Property Inventory (SPI). We believe that the recommendations have merit and we are already in the process of implementing those actions. However, the report is in error when it states: "As of July 31, 1990, the department has not yet fully implemented the SPI as required." This conclusion reflects a misunderstanding of the distinction between implementing the SPI which has been completed and maintaining the SPI which is an ongoing process. The report suggests that the State agencies' review and verification should be considered part of the implementation and, therefore, concludes that the SPI was not implemented as of July 31, 1990. The DGS believes that this review by State agencies is a continuing maintenance effort separate from implementation.

The DGS fully satisfied its responsibilities to implement the SPI according to Government Code Section 11011.15 when, in May 1990, OREDS entered all real property information provided by State agencies into a computer data base resulting in "a complete and accurate statewide inventory of all real property". The report's tests for completeness and accuracy support our conclusion that the SPI is "complete and accurate"; specifically, the referenced sample tests disclosed only one OREDS' error out of the total sample of 255 properties. ① *

As part of its ongoing SPI maintenance activities, by August 24, 1990, OREDS will have provided each agency with a copy of its detailed SPI printouts. This information is being provided to the agencies to assist them in performing their responsibilities for updating their real property holdings under Government Code Section 11011.15.

*The Office of the Auditor General's comment on this specific point begins after the response of the State and Consumer Services Agency.

In conclusion, we are pleased that the auditor's found only minor errors in the current SPI data base and easily resolvable deficiencies related to surplus property. The minor disagreement as to what constitutes the completion of the SPI should not cloud the issue that, as confirmed by the results of the audit, the State for the first time has a central inventory of the State's real property holdings.

RECOMMENDATIONS

This section of the report contains five recommendations addressed to the DGS. The report recommends that the DGS should take the recommended actions to ensure that it fully implements the SPI. The DGS believes it already has fully complied with the implementation provisions contained in Government Code Section 11011.15. However, the recommended actions have merit in ensuring that the SPI continues to be complete and accurate. In fact, for all of the recommended actions, the DGS already had plans to perform the activities prior to the completion of the audit.

The following sections address each of the five recommendations.

RECOMMENDATION: "Reconcile the SPI report and the SPI surplus property report with the records maintained by the state agencies to verify that the reports are complete and accurate."

DGS RESPONSE: As noted in the report, in August 1990, OREDS began sending copies of the SPI reports to state landholding agencies. The agencies have been requested to review this information for accuracy and respond to OREDS by October 1, 1990. OREDS will then update the SPI by the end of the year. This will be an ongoing process to assist in maintaining the SPI.

RECOMMENDATION: "Ensure that the state agencies submit their completed data forms."

DGS RESPONSE: As OREDS becomes aware of omissions in information submitted by State agencies, it will take immediate action to request the submittal of this information.

RECOMMENDATION: "Establish a procedure for the OREDS' real estate sales section to notify the special projects section when state agencies submit information to the real estate sales section declaring the agencies' properties surplus."

DGS RESPONSE: By September 1990, written procedures will be in place to require the OREDS' Surplus Sales Section to notify SPI staff when they receive information from State agencies declaring their properties surplus.

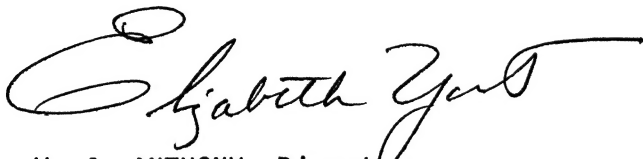
RECOMMENDATION: "Reconcile the report on surplus properties with other reports that identify surplus properties, such as the OREDS' annual report to the Legislature."

DGS RESPONSE: SPI staff are in the process of reconciling the existing surplus property inventory with the information shown in the SPI. This should be completed by October 1990.

RECOMMENDATION: "Correct the specific deficiencies identified in this letter report."

DGS RESPONSE: As the DGS becomes aware of errors or discrepancies such as those identified in the report, it will take the actions necessary to correct them.

If you need further information or assistance on this issue, please call me.

A handwritten signature in cursive script, appearing to read "W. J. Anthony".

W. J. ANTHONY, Director
Department of General Services

WJA:RG:kg

Comments The Office of the Auditor General's Comment on the Response by the State and Consumer Services Agency

- ① We disagree with the Department of General Services' (DGS) belief that it has fully satisfied its responsibilities to implement the statewide property inventory (SPI) and that the SPI is complete and accurate. As we point out in our report, the department has not yet received responses from the state landholding agencies regarding their review and verification of the real property information that the department entered into its SPI data base. According to the chief of the Office of Real Estate and Design Services, the state landholding agencies' review and verification of the department's printouts of the real property information is necessary to help ensure that the SPI data is complete and accurate. Therefore, we believe that the SPI will not be fully implemented until the state landholding agencies have reviewed and verified the printouts of the real property information they submitted to the department and it will not be complete and accurate until the department corrects the minor errors we noted in the SPI report and the deficiencies we noted in the SPI surplus property report.